

Message Text

SECRET

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ACTION SS-30

INFO OCT-01 ISO-00 CCO-00 SSO-00 NSCE-00 /031 W

----- 026820

O P 041715Z DEC 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 6085

INFO AMEMBASSY JIDDA PRIORITY

AMEMBASSY ABU DHABI

AMEMBASSY KUWAIT

S E C R E T SECTION 01 OF 02 LONDON 14170

EXDIS

E.O. 11652: XGDS-L AND 3

TAGS: ENRG, PFOR, SA

SUBJECT: YAMANI VISIT TO US

1. DURING LONG CONVERSATION TODAY, DECEMBER 4, SAUDI AMBASSADOR HELAISSI, WHO REMAINS IN TELEPHONIC CONTACT WITH YAMANI, REPEATED TO US THAT YAMANI IS GOING TO US WITH BEST INTENTIONS. HELAISSI EXPRESSED HOPE USG WOULD TALK FRANKLY TO YAMANI ABOUT PROBLEMS CAUSED BY OIL CUTOFF. HE SAID YAMANI SHOULD UNDERSTAND SO THAT HE CAN REPORT BACK USEFULLY TO KING FEISAL.

2. HELAISSI AGREED IMMEDIATELY WITH OUR POINT THAT OIL EMBARGO WOULD FORCE SOME WRENCHING READJUSTMENTS IF CONTINUED MUCH LONGER IN US, BUT ONCE READJUSTMENTS MADE OIL WOULD CEASE TO BE EFFECTIVE LEVER. IN FACT, OIL EMBARGO IS IN PROCESS OF LOSING ITS LEVERAGE EVERY DAY IT CONTINUES. SINCE USG IS ALREWRY DOING WHAT IT CAN TO ENCOURAGE PARTIES TOWARD ARAB-ISRAELI SETTLEMENT, OIL WEAPON IS BECOMING IRRELEVANT. HELAISSI SAID THIS IS EXACTLY LINE "WE" (I.E. HE AND OTHERS) ARE TAKING WITH KING FEISAL. "WE" ARE TELLING HIM HE HAS MADE HIS POINT. TO PRESS IT MUCH FURTHER WILL ONLY TURN AMERICAN PEOPLE AGAINST ARABS. YAMANI, IF PROPERLY

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IMPRESSED, COULD BE VERY HELPFUL IN PERSUADING THE KING.

3. IN REPLY TO OUR QUERY, HELAISSI WAS VERY POSITIVE THAT ALGIERS SUMMIT HAD LEFT DECISION ON FURTHER CUTS IN OIL PRODUCTION TO INDIVIDUAL PRODUCING STATES. HE AGREED THIS MEANT SEVERAL OTHER STATES MAY NOT BE IN AS GOOD POSITION AS SAUDI ARABIA TO MAKE FURTHER CUTS. (COMMENT: WE HAD IN MIND INTRIGUING REPORT FROM OTAIBA IN ABU DHABI'S EXCELLENT 1581.)

4. BY WAY OF POSITIVE INDUCEMENTS TO USG, WE NOTED THAT YAMANI IS CURRENTLY TALKING OF EVENTUAL PHASING BACK UP ONLY TO SEPTEMBER 1973 PRODUCTION LEVELS IF ISRAEL WITHDRAWS FROM ARAB TERRITORY WITH PRICE AND HIGHER PRODUCTION LEVELS BEYOND THAT LEFT TO FUTURE MARKET FORCES. HELAISSI REPLIED THAT ANY OIL MINISTER OF PRODUCING STATE WAS BOUND TO BE IMPRESSED IF HE WAS RECEIVING FIRM ORDERS FROM OIL COMPANIES FOR LARGE AMOUNTS OF OIL AT PRICE TO BE SET BY SAUDI GOVERNMENT. HELAISSI SAID HE HIMSELF RECENTLY FORWARDED SUCH AN OFFER FOR 100 MILLION BARRELS IN 1974-75 AT PRICE TO BE DETERMINED BY SAUDI GOVERNMENT. AND THIS FROM A LARGE, WELL-KNOWN AMERICAN COMPANY. AS LONG AS OIL COMPANIES ARE PREPARED TO DEAL THAT WAY OF COURSE PRICE WILL GO UP.

5. IN LONG RUN, US WILL GET THE OIL, NOT EUROPE, HELAISSI CONTINUED, SINCE US CAN PAY FOR IT AT HIGHER PRICES THAN EUROPE COULD AFFORD. WHEN WE ASKED IF HE

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AMEMBASSY ABU DHABI

AMEMBASSY KUWAIT

S E C R E T SECTION 02 OF 02 LONDON 14170

EXDIS

WAS NOT SUGGESTING NEED FOR MUCH CLOSER CONSUMER COOPERATION, HELAISSI AGREED THAT WAS PRECISELY HIS POINT, AS WELL AS NEED FOR DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY AS WELL AS SUBSTITUTES FOR PETROLEUM IN INDUSTRIAL PROCESSES.

6. MOREOVER, HELAISSI SAID, WHETHER OIL WOULD SOON REACH PRICE OF \$10 A BARREL (QUESTION WHICH YAMANI ANSWERED WITH GUARDED AFFIRMATIVE ON BBC TV INTERVIEW SHOWN DEC. 3) WOULD ALSO DEPEND ON HOW MUCH DOLLAR IS WORTH. BRITISH HAVE BEEN QUICK TO SEIZE IMPORTANCE OF ARAB FUNDS IN TOTAL PICTURE, HELAISSI SAID, AND THEY HAVE TAKEN ADVANTAGE OF PRESENT SITUATION TO SEND HEAD OF BANK OF ENGLAND TO JIDDA TO LOOK FOR MORE INVESTMENT MONEY. (HELAISSI SAID HE WAS NOT YET INFORMED OF RESULTS THAT VISIT.)

7. HELAISSI'S ACCOUNT OF YAMANI'S MEETING WITH DUTCH ECONOMIC MINISTER DECEMBER 1 IS REPORTED SEPARATELY.

8. COMMENT: HELAISSI (WHO WONDERS WHETHER OR NOT HE IS LIKELY TO BE NEXT AMBASSADOR TO US) IS NOT CONSIDERED OVERLY RELIABLE IN HIS JUDGMENTS BY FCO OFFICIALS, BUT THERE IS LITTLE QUESTION HE HAS PRETTY GOOD ACCESS TO HIGH SAUDI OFFICIALS. HE HAS BEEN ANXIOUS TO TALK TO
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US IN RECENT DAYS BUT TENDS TO BLOW HOT AND COLD ON VARIOUS ISSUES. HOWEVER, HE TOLD BRITISH, AND US, ON SEVERAL OCCASIONS IN PAST THAT THERE WAS NOTHING IN REPORTS OF SAUDI FEELERS TOWARD SOVIETS POSSIBLY LEADING TO ESTABLISHMENT OF DIPLOMATIC RELATIONS, A VIEW WHICH HAS SINCE BEEN AUTHORITATIVELY CONFIRMED BY FONMIN SAQQAF AND OTHERS TO EMBASSY JIDDA.

9. HELAISSI SAYS SAUDI-SOVIET RELATIONS ARE OUT OF THE QUESTION AS LONG AS FEISAL LIVES AND RULES. SAUDI ARABIA IS CONSCIOUS OF FACT IT NEEDS US, JUST AS US NEEDS SAUDI ARABIA. IN THIS CONTEXT HE EXPRESSED APPRECIATION FOR SECRETARY KISSINGER'S PROJECTED VISIT TO SAUDI ARABIA AND KING FEISAL AGAIN LATER THIS MONTH.

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